

Scaling up and improving insurance schemes for farmers in India and Nigeria

PHOTO: P. VISHWANATHAN (CCAFS)



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FLAGSHIP Climate Risk Management

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SUMMARY

Establishing well-designed insurance schemes in agriculture not only enhances resilience when climatic shocks occur, the presence of a safety net can help farmers overcome the risk of investing in climate-smart technologies. In India, 12 million farmers are already insured through weather-index schemes. However, reports indicate that many farmers are unsatisfied with the current schemes due to prevalent basis risk, which occurs when the index measurements do not line up with the insured person's actual losses.

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Basis risk can be avoided through proper insurance scheme design and accurate measurements. CCAFS analysed the current index insurance scheme in India, and found that the insurance triggers were insufficient. Using various scientific techniques to analyse crop-weather relationships, CCAFS developed new triggers, specific to different regions and crops, without increasing premiums and the government subsidy load. Maharashtra state has already adopted these new products, as well as the Agricultural Insurance Company of India, providing improved rainfall risk coverage to nearly one million farmers.

Nigeria's Federal Ministry of Agriculture and Rural Development (FMARD) is also keen on providing insurance to all 14.5 million of the country's smallholder farmers. This is to be achieved through a diverse and inclusive agricultural insurance system built on the existing Growth Enhancement Scheme (GES), which currently serves as a platform for distributing subsidized inputs. FMARD approached CCAFS to assist in strengthening the strategy for bringing index-based insurance through the GES, as well as implementing practical solutions linked to current challenges. Through South-South exchange CCAFS facilitated an analysis and interchange of information and experiences with weather based index insurance in India and elsewhere. In addition to developing a concept note for piloting index-insurance schemes for maize and rice, CCAFS working with Nigeria to formulate a 4-year roadmap providing guidance for reaching the goal of nationwide smallholder coverage.

KEY FACTS

- Insurance can help farmers cope with climate change, and overcome the risk barrier in adopting climate-smart technologies
- Nigeria's FMARD has made plans to support 14.5 million smallholders with ambitious and inclusive insurance schemes
- CCAFS is assisting FMARD's ambitious plan with concept notes and a 4-year roadmap, and South-South exchange
- CCAFS has developed new triggers for index-based insurance schemes in India, reaching nearly one million farmers

LESSONS: KEY ELEMENTS OF SUCCESS

- Improved triggers in the Indian insurance schemes were based on historical crop-weather data, statistical and crop growth simulation models, as well as optimization techniques
- Rainfall triggers were specifically tailored at the district level, to avoid basis risk
- Triggers were further optimized to keep premiums within government specified limits

FURTHER READING

- Index-based insurance <http://bit.ly/1IVzgTU>
- Better designed weather-based insurance holds promise for Maharashtra farmers <http://bit.ly/1itM9Qc>

RELATED RESEARCH OUTPUTS

Hellin J, Hansen J, Araba D. 2015. Evidence-Based Insurance Development for Nigeria's Farmers: Briefing paper for Nigerian Federal Ministry of Agriculture and Rural Development (FMARD)-CCAFS Knowledge-Sharing Workshop, London, 27-28 January 2015.

Greatrex H, Hansen J, Garvin S, Diro R, Blakeley S, Le Guen M, Rao K, Osgood D. 2015. Scaling up index insurance for smallholder farmers: Recent evidence and insights. CCAFS Report No. 14. Copenhagen, Denmark: CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS). <http://bit.ly/1KBpxts>

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